

*“A great fortune shall be ordained to you.  
Wait patiently”  
Chinese Fortune Cookie*

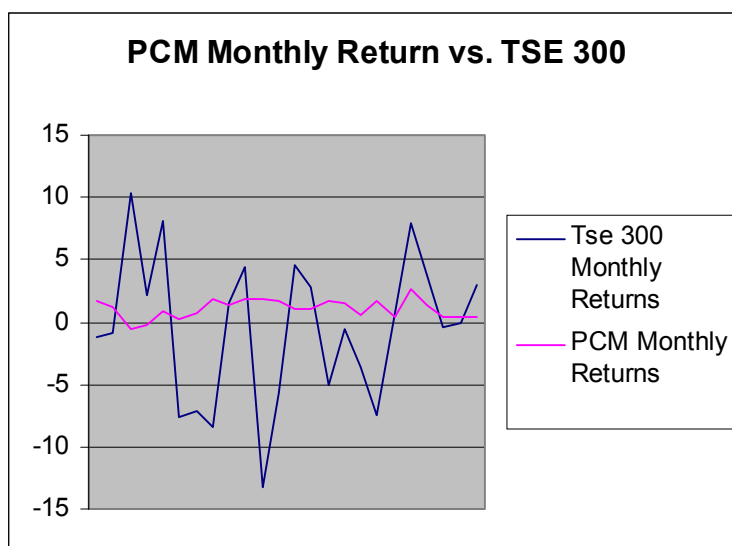
*Time flies!*

*Two years have passed since we started Patient Capital Management Inc. In the evolution of a business this is quite a milestone. The first two years are the most difficult; most enterprises don't survive even this short period for many reasons. Of those that do, several end up changing strategies and philosophy in order to stay in business.*

*While we still have a long way to go we are proud to have reached this juncture. More importantly, we accomplished our goal without compromising our promise to you. If you recall in our inaugural newsletter we stated “... Patient Capital Management was created to provide clients with a money management option that offers uncompromising discipline and focus on identifying absolute long-term values. In order to ensure that we are entirely focused on meeting that objective we guarantee that PCM will never become a marketing organization disguised as an investment operation.” For those of you that have seen our modest offices you will appreciate that we are far from a marketing machine!*

*We also suggested that you could “sleep at night” with our process and portfolios. As the following chart indicates while the TSE 300 (and other major indices) gyrate wildly our monthly returns are fairly stable. Rollercoaster rides may be enjoyable at an amusement park but gut wrenching movements in your net worth are not pleasant.*

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*As illustrated below, our low absolute volatility has been coupled with positive returns. Although a two year time frame is relatively short by our standards we have managed to outperform the major indices; even with equity weightings of ten to fifteen percent. In PCM's case, it does seem that the tortoise does beat the hare!*

**PCM Performance<sup>1</sup>**

	Year Ended		Since Inception <sup>2</sup>
	Mar. 31 2002	Mar.31 2001	
<b>PCM Non-Taxable Portfolio</b>	<b>13.86%</b>	<b>13.12%</b>	<b>13.49%</b>
<b>PCM Taxable Portfolio</b>	<b>6.79%</b>	<b>6.50%</b>	<b>6.64%</b>
<b>TSE 300</b>	<b>4.88%</b>	<b>(18.61%)</b>	<b>(7.61%)</b>

<sup>1</sup> Based on Initial Representative Accounts. Past Performance not an Indicator of Future Performance.

<sup>2</sup> Inception as of March 31, 2000

*Even though we are pleased with our performance we are more satisfied that in a period of declining markets we have been able to preserve your capital. That is the good news! The bad news is that should the lack of investment opportunities that meet our criteria persist our returns for calendar 2002 will be lower than they have been in the last two years.*

*You may be surprised to learn that our approach is uncommon in the money management industry. At this time, the primary difference in the way our portfolios compare to our competitors is that our cash balances are much higher and because of this the volatility of our portfolios are significantly lower.*

*Some prospective investors view our cash positions as a deterrent to committing their money to us. They question as some of you have, the validity of paying a management fee for managing cash. At PCM we employ a disciplined philosophy and process. The portfolio is a result of that philosophy and process. The work that we do is no different in a market where opportunities are few and far between than in a market where ample bargains exist. It just so happens that currently our process is leading to very few quality companies at reasonable prices. Even though our high cash position has made it harder to gather new assets from prospective clients, we are not willing to risk your capital and ours by investing in stocks that we believe are still significantly over-valued. Because of this disciplined philosophy, in the last two years we have managed to provide positive returns in negative markets, while giving clients the comfort of significantly less risk than the overall market.*

*The benefits to you going forward should be that our portfolios will provide protection on the downside if markets continue to revert to their long-term average valuations and we will also have cash available to invest as quality companies come to trade at more reasonable*

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*prices. Neither of these significant benefits would be available if we were fully invested. It is important to note that our capital is invested along with your capital. We clearly understand that over the long term equities provide far greater returns than fixed income instruments. We would prefer to be fully invested; however, our primary concern is to protect against the permanent loss of capital.*

*The other significant difference between our portfolios and our competitors' portfolios is that some advisors and consultants believe that PCM's variance in returns relative to major indices is too large. In other words, they believe that our monthly performance should track the overall market within plus or minus two percent. We understand the concern; a large tracking error may indicate that a portfolio is not diversified enough. However, in PCM's case our variance is a result of our large cash balances. It is important to keep in mind that when we are fully invested our volatility relative to major indices should narrow. This narrowing will occur through the process of constructing our portfolios according to our discipline, not because we desire it. We construct portfolios on an individual investment basis while being alert to proper diversification. It is our objective to construct portfolios that lead to returns that are higher than the major indices while providing less volatility over the long-term. In our view, a portfolio of securities that meets our very strict quality and valuation parameters is far superior to an index; regardless of the relative returns on a monthly basis.*

*The headlines of major business publications often refer to "bargain hunting" as the reason for a markets rise after some period of decline. As well, leading pundits will often proclaim that the markets are at attractive valuations because of the declines that have occurred over the past two years. At PCM we make no attempt to predict overall market*

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*direction. However, the following table prepared by ISI Group and which recently appeared in Barron's should give those proclaiming attractive valuations and "a bear market bottom" some pause for thought.*

*The figures provided in the following table show the valuation of the Dow Jones Industrial Average at market lows. Today's valuations are substantially above the average and those of every individual bear market bottom. Just as interestingly, valuations have been far lower than they are today at even lower levels of interest rates.*

Date	P/E	Dividend Yield	Price to Book	Price to Sales	Bond Yield
6/13/49	5.4	7.6%	0.89	0.43	2.4%
10/22/57	12.0	4.4	1.43	0.75	3.7
10/25/60	16.3	3.6	1.64	0.93	3.9
6/26/62	14.9	3.9	1.54	0.85	3.9
1/3/67	14.9	3.5	1.85	0.93	4.4
5/26/70	12.9	4.4	1.45	0.66	6.9
12/6/74	7.5	5.1	1.07	0.38	6.8
2/28/78	8.3	5.3	1.14	0.40	7.6
4/21/80	6.8	5.7	1.08	0.34	10.8
8/12/82	7.9	6.3	0.97	0.33	12.2
7/24/84	9.4	4.4	1.36	0.44	12.8
10/19/87	12.7	3.4	1.92	0.58	9.6
10/11/90	13.9	3.6	2.24	0.60	8.9
Average	11.0	4.7	1.43	0.58	7.2
Current	25-35(?)	1.3	6.70	1.47	4.6

Source: ISI Group

*We would like to thank the many individuals that have helped us since we started Patient Capital; Kevin Williams, Paul Cuhna and Steven Murphy at TD Financial Group; Gerry McLeod and Derrick Flood at RBC Dominion Securities, Michael Scuglia and Richard*

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*Smith at Scotia Capital; Richard Stoneman at Deacon Securities, Ian Mellon at Nesbitt Burns, Neil May and his team at Goodmans Law and Jennifer Northcote and her team at Stikeman Elliot. We highly recommend all of these individuals and their firms.*

*In addition, we owe a deep debt of gratitude to thank our many friends who have given us sound advice and words of encouragement. Keith Graham, Tony Hamblin and Bob Krembil stand out in particular. Most of all we would like to express our appreciation to you our clients for giving us the privilege and responsibility of managing your assets. Your confidence, support and encouragement has made the last two years most enjoyable.*

*Thank You!*

*Vito Maida*

*June 2002*

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